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UNFPA – Recommendations of the Board of Auditors

United Nations Population Fund

Follow-up to the report of the United Nations Board of Auditors for 2015: status of implementation of the recommendations

Report of the Executive Director

Summary

Pursuant to Executive Board decision 97/2, the Executive Director of UNFPA is pleased to submit the present report on the implementation of the recommendations contained in the report of the United Nations Board of Auditors for the financial period that ended on 31 December 2015 (A/71/5/Add.8).

The United Nations Board of Auditors acknowledges that UNFPA is in sound financial health, and provides an unqualified audit opinion for the organization's financial statements for the year that ended on 31 December 2015.

A separate table, available on the UNFPA Executive Board website, provides an updated status of the implementation of the audit recommendations.

Elements of a decision

The Executive Board may wish to take note of the present report on the actions taken by UNFPA and the new measures planned by the organization to implement the recommendations of the Board of Auditors for the financial period that ended on 31 December 2015.

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I. Introduction

1. Pursuant to decision 97/2 of the Executive Board, the Executive Director of UNFPA is pleased to submit the present report on the implementation of the recommendations of the United Nations Board of Auditors (Board of Auditors) for the year that ended on 31 December 2015 (A/71/5/Add.8). The Advisory Committee on Administrative and Budgetary Questions reviewed a summary of the principal findings and conclusions of the Board of Auditors and the corresponding report of the United Nations Secretary-General.

2. The report of the Board of Auditors acknowledges that UNFPA is in sound financial health. UNFPA is pleased to have received an unqualified audit opinion for its financial statements for the year that ended on 31 December 2015. This affirms the continued efforts of UNFPA to accord the highest priority to resolving the concerns of the Board of Auditors and maintaining the momentum in building a culture of accountability.

3. UNFPA appreciates the acknowledgment by the Board of Auditors of the management initiatives to enhance its operations by introducing new systems, such as the global programming system for managing work plans and the strategic information system, which has facilitated the documentation of risks and monitoring of results. The organization is committed to addressing all issues identified by the Board of Auditors and plans to complete the implementation of most of the previous period recommendations by the end of 2016. UNFPA has further enhanced its response to the recommendations through a comprehensive and systemic approach that strengthens controls and ensures compliance with the recommendations.

II. Status of implementation of the audit recommendations

4. The Board of Auditors made 24 new recommendations for 2015, compared to 10 for 2014. Tables 1 and 2 below summarize the status of implementation of the recommendations, as of October 2016, for the financial period that ended on 31 December 2015.

Table 1
Status of implementation of main recommendations for 2015

Department responsible	*Number of recommendations*	*Not accepted*	*Implemented or closure requested*	*In progress*	*Target date set*
Management Information Services Branch	2	–	1	1	1
Programme Division	2	–		2	2
Division for Management Services and Office of the Executive Director	1	–	1		
Total	**5**	**–**	**2**	**3**	**3**

Table 2
Status of implementation of all recommendations for 2015

Department responsible	*Number of recommendations*	*Not accepted*	*Implemented or closure requested*	*In progress*	*Target date set*
Management Information Services Branch	6	–	4	2	2
Programme Division	4	–		4	4
Division for Management Services	3	–		3	3
Division for Management Services and Office of the Executive Director	3	–	2	1	1
Division for Human Resources	2	–		2	2
Technical Division	2			2	2
Management Information Services Branch and Programme Division	3			3	3
Procurement Services Branch	1			1	1
Total	**24**	**-**	**6**	**18**	**18**

5. This report presents the status of implementation for all recommendations of 2015 and prior periods made by the Board of Auditors. This report is divided in nine sections addressing: (a) internal control systems; (b) programme management; (c) procurement management; (d) result-based management; (e) human resource management; (f) inventory management; (g) review of financial statements; (h) information technology and (i) other recommendations from financial periods prior to 2015.

A. Internal control system

Establishment of risk mitigation strategies

6. The Board of Auditors recommended that UNFPA: (a) develop global risk mitigation strategies that cover all UNFPA operations; and (b) ensure that the country offices identify clearly the additional risks and response strategies that are specific to the country offices and document them in the system.

7. The UNFPA Executive Director established the enterprise risk management (ERM) framework in June 2015 to ensure that a comprehensive and effective ERM strategy is maintained by the organization. The ERM strategy and framework build on the Committee of Sponsoring Organizations of the Treadway Commission's recommendations for a successful risk management process and best practices across the United Nations. They aim to create a focused, harmonized and sustainable risk management culture at UNFPA that is effected by way of a transparent computerized risk register, an established risk committee and risk-treatment working groups, with active participation from all stakeholders. UNFPA identified 12 corporate risk areas (11 strategic areas plus fraud) for the initial round of assessment. The first organizational risk assessment was completed by over 80 per cent of the organization.

8. Based on the feedback received from across the organization, the corporate risk register has been expanded for the second cycle, commenced in August 2016, to allow for additional risks at the level of business units. The risk response module, beside risk treatment, will also include a comprehensive global mitigation library and that will evolve over time. Under the

current cycle, business units will be required to provide specific action plans for high and critical risks.

Absence of a risk assessment plan and non-documentation of the risk assessment process

9. The Board of Auditors recommended that UNFPA ensure that country offices: (a) document the risk assessment process, and establish a comprehensive risks assessment plan for strategic and fraud risks to enable establishment of long-term methodologies, criteria, risk matrices and timeframe for addressing the established risk; and (b) continue training the staff on risk assessment, identification and mitigation to increase awareness and understanding of the risks affecting UNFPA.

10. Members of the UNFPA Executive Committee have been identified as risk owners, leading the assessment and response to 11 corporate risks and fraud risk, thus strengthening accountability, improving governance, risk management and internal controls. These risk owners constitute the risk committee, chaired by the Executive Director. Each risk owner heads a risk treatment working group comprising a representative body of subject matter experts from across the organization, with the roles, responsibilities, knowledge and expertise to contribute to developing and realizing appropriate strategies to respond to existing identified and emerging risks in their respective areas.

11. The 2016 risk assessment cycle has been expanded to include the rationale/justification for the risk rating and a broad, high-level action plan to mitigate risk rated as 'high' and 'critical'. A comprehensive training by webinars was organized to train business units that included the conceptual definitions of risk, as well as a detailed guidance note on how to document and assess risk based on probability and impact.

Establishment of the criteria for risk ranking

12. The Board recommended that UNFPA (a) ensure that the country offices prepare risk matrices and define the criteria used for ranking of identified risks; (b) review the definition of low risk for consistency in risk ranking, which will be used in all business units; and (c) modify the UNFPA Strategic Information System (SIS) to include a facility for ranking of additional strategic risks identified by the country office and assigning the focal points.

13. UNFPA has upgraded its SIS 'myRisk' application to incorporate all the three elements of the above recommendation for the cycle commencing August 2016. Extensive user training has been provided to ensure compliance across the organization. A guidance note to provide clear definitions of low, medium, high and critical risk ratings has been developed, and a new risk rating of 'not applicable' has also been introduced.

B. Programme management

Use of the global programming system for work plan and budget management

14. The Board of Auditors recommended that UNFPA (a) ensure that the correct budget information is updated in the global programming system and that reconciliation of budget information is made between the amounts to be sent to commitment control and the work plan amounts for such activities; and (b) consider introducing new features into the system to include non-financial information on the progress reports of implementing partners.

15. UNFPA has recently introduced a functionality in the Global Programming System (GPS) to alert users to instances when the workplan amounts differ from the amounts being sent to commitment control. The organization conducted additional analysis of the workplans to support the users on an ongoing basis to identify all undesired discrepancies. The GPS Phase II functionality will include non-financial information of implementing partner progress reports.

Quality assurance in the workplan progress reports

16. The Board of Auditors recommended that UNFPA (a) continue with initiatives to improve capacity of implementing partners so that workplan progress reports reflect on the achievement of results at a particular period of time and clearly assess the progress made towards the proposed targets; and (b) conduct quality assurance upon receipt of the progress reports and address the noted weaknesses.

17. The updated guidance to the country offices on monitoring of implementing partners will specify additional requirements to improve the quality of the reporting by implementing partners. The quality of reporting will also improve with the implementation of the revised implementing partner selection process. Furthermore, during the training on GPS phase II functionality, implementing partners will also receive GPS-related training throughout 2017; GPS phase II functionality will include a formal acceptance by UNFPA programme personnel of all quarterly progress reports.

Documentation on the determination of support cost rate

18. The Board of Auditors recommended that UNFPA introduce a requirement in the guidance note for country offices to document the whole process of determining support cost rates with the implementing partners, including the criteria or basis applied when negotiating support cost rate with implementing partners

19. In response to this recommendation, UNFPA will amend the guidance note for determining support cost rates to include necessary documentation of the process leading to the agreement on support cost rates with implementing partners.

C. Procurement management

Purchase orders issued after delivery of goods and services

20. The Board of Auditors recommended that UNFPA (i) use the Atlas generated purchase order as primary contracting tool for purchase of goods and for encumbering funds before delivery of goods and services, to minimize risk of misstating commitments and to ensure compliance with the procurement procedures and internal control framework; and (ii) have the Procurement Service Branch monitor the country offices to ensure that they comply with procurement rules and regulations.

21. In response, UNFPA is implementing this recommendation at two levels: (a) the Procurement Services Branch Chief will write to heads of offices to request them to remind their staff of the requirement to create purchase orders to commit funds at the time of contract issuance rather than at the time of payment (the Branch will initiate similar communications with the operation managers/procurement staff in country offices); and (b) the Procurement Services Branch will conduct regular spot checks and follow-up with country offices separately when potential non-compliances are identified, to ensure this is not repeated.

D. Results-based management

Use of the strategic information system in results-based management

22. The Board of Auditors recommended that UNFPA (a) consider improving the quality of indicators to express qualitative targets to be achieved and clearly define output based on results to be achieved, for smooth quarterly monitoring and reporting; and (b) develop high-quality assurance guidance and mechanisms to ensure milestones can be clearly measured during the monitoring and reporting phase, and are designed to track achievement of indicator targets.

23. In response to this recommendation, the guidelines for the preparation of annual results plans using the SIS 'myResults' application will be improved to include additional examples and quality assurance criteria to guide business units in the formulation of outputs, indicators and quarterly milestones. Quality assurance guidelines for planning, monitoring and reporting

of results will be integrated into the overall guidelines of 'myResults' to provide all business units with the criteria to assess and ensure the quality of results, plans and reports.

E. Human resources management

Management of the online eService application

24. The Board of Auditors recommended that UNFPA (a) take corrective action on the apparent instances of the wrong data entry in order to improve the accuracy and reliability of reports produced by the system on annual leave; and (b) continue performing the data clean-up in the system so that reports produced do not contain leave balances of separated staff.

25. In response to this recommendation, UNFPA, with the support of UNDP, will take corrective actions on the inaccurate data entries and will continue to perform periodic data cleanups, as required. UNFPA has worked with UNDP to develop a script to fix the system issues; going forward, it will take a proactive role in making sure that separated staff leave balances are adjusted.

Maintenance of recruitment of holders of service contracts

26. The Board of Auditors recommended that UNFPA (a) perform human resources needs assessment and review the existing service contracts so as to reduce the use of service contract modality for UNFPA core functions; and (b) monitor the recruitment process of service contracts holders to ensure that they are recruited for non-core functions that are mandated by UNDP Service Contract Handbook adopted by UNFPA.

27. In response, human resources strategic partners in the regional offices are monitoring the recruitment of service contract holders by reviewing their terms of reference, to ensure that they are recruited for non-core functions, as mandated by the UNDP Service Contract Handbook. In addition, UNFPA will continue to undertake country office realignments driven by programme needs, as required, to regularize core functions and to reduce reliance on service contracts.

F. Inventory management

Changing of the inventory management system before updating the inventory policy

28. The Board of Auditors recommended that UNFPA (a) speed up its updating of the inventory policy and procedure manual for consistency and uniformity of contents and directives in the new inventory system; and (b) ensure that in future system changes the updating of policy be done in line with the new systems adoption.

29. UNFPA has constituted an interdivisional working group on inventory management, with representatives from the Commodity Security Branch, Finance Branch, Humanitarian and Fragile Contexts Branch, Legal Unit, Management Information Services Branch, Programme Division, Procurement Services Branch and all regional offices. The working group is tasked with updating the inventory policy., The interdivisional working group and change advisory board will collectively ensure policies are aligned with any new system.

Roles and responsibilities of personnel involved in the inventory management process

30. The Board of Auditors recommended that UNFPA (a) clearly include the roles, responsibilities and scope of the oversight bodies and other personnel involved in inventory management process; and (b) design a standard job description for the inventory focal point role with respective competence requirements.

31. The interdivisional working group on inventory management is defining roles, responsibilities and accountabilities of all stakeholders involved in the entire inventory management process, including development of the job description for the inventory focal point role.

G. Review of financial statements

Valuation method of inventories

32. The Board of Auditors recommended that UNFPA (a) align the inventory valuation policies and guidelines so as to maintain consistency in determining the cost of inventory; (b) perform a comparison between cost and net replacement cost for all the inventories; and (c) establish mechanisms so as to capture current replacement costs of all inventories to improve inventory valuation during stock taking and closure of accounts.

33. In response to the above, UNFPA performed a comparison between the carrying amount and current replacement cost for inventory balances older than six months for 2015, and noted a very insignificant difference. Another comparison of costs and current replacement costs will be performed as part of 2016 accounts closure procedures, focusing also on goods older than six months. Additionally, UNFPA will undertake a comprehensive revision of the inventory management policy, which will include updating the section on inventory valuation.

Review of reserve for field accommodation

34. The Board of Auditors recommended that UNFPA (a) incorporate the cost projections on the use of reserve for field accommodation fund in its Integrated Budget for 2018-2021; and (b) review the threshold amount of reserve for field accommodation with regard to changing financial environment.

35. In response to this recommendation, UNFPA will examine the feasibility of establishing a sound mechanism to estimate future costs within the United Nations Development Group (UNDG) Task Team for Common Premises and Resident Coordinators' Offices. Following such a review, UNFPA may be in a better position to assess future cost projections that include not only UNFPA premises but also premises shared with other agencies in United Nations system's field locations, in order to address this recommendation on a consistent basis among the participating organizations.

Disclosure of research and development costs expensed during the year

36. The Board of Auditors recommended that UNFPA (a) disclose the aggregate amount of research and development for the items of intangible asset nature which were recognized as an expense during the period; (b) set up an additional asset profile identity for software developed internally; (c) create separate account codes to record costs, accumulated amortization and amortization expenses for externally acquired software and for software developed internally; and (d) develop a tool or mechanism to track cost of internally generated software.

37. UNFPA has implemented parts (b) and (c) of the recommendation, and implementation of part (d) is currently in progress. UNFPA and the Board of Auditors had diverging views on the definition of research and development costs that are required to be disclosed by IPSAS 31, which prescribes the accounting treatment for intangible assets. UNFPA has requested the United Nations Task Force on Accounting Standards for its interpretation of this disclosure requirement, given the ambiguity that exists in the International Accounting Standard. UNFPA is committed to working together with the Board of Auditors to ensure that the presentation of financial information in its financial statements is fully IPSAS compliant.

H. Information technology

Review of information and communications technology policies

38. The Board of Auditors recommended that UNFPA (a) conduct information security risk assessment and review Information and Communications Technology (ICT) policies annually; (b) develop and implement an information classification policy; and (c) adopt internationally accepted standards in managing information security for controls that have greater impact on the organization.

39. To address this recommendation, UNFPA conducted an information security risk assessment as part of the overall ICT risk assessment, complementing the corporate risk management project ('myRisks'). The UNFPA Management Information Services Branch has reviewed and updated the ICT Policies and Procedures Manual, specifically following the suggestion by the Board of Auditors to include control tables illustrating when the policy was reviewed/approved, who reviewed/approved it, what the significant changes to the policy were, and when the next policy review was due. The UNFPA information classification policy is currently being defined as part of the corporate project on records management called 'iDocs'. The Management Information Services Branch will select for adoption additional information security controls that will provide greater impact to the organization, such as creating and enforcing policies that extend across the network to devices and applications.

Information and communications technology project management

40. The Board of Auditors recommended that UNFPA (a) develop and implement a project management guideline which defines the basis for adopting Projects In Controlled Environments, version 2 (PRINCE2) and agile methodologies for ICT project management processes; (b) develop and implement ICT project prioritization criteria to be used by the ICT board in decision-making; and (c) establish a mechanism to capture costs of internally developed software.

41. In response to this recommendation, UNFPA has drafted the guidelines for project management, including PRINCE2 and agile methodologies, which are currently being reviewed for finalization and approval. ICT project prioritization criteria have been developed and approved by the ICT board in September 2016 and is now in effect. Similarly, project-costing guidelines have been developed; these are currently being reviewed for finalization and approval.

Information technology disaster recovery plan

42. The Board recommended that UNFPA (a) develop, document, test and implement a comprehensive IT disaster recovery plan that considers all critical business systems and their dependencies; and (b) review and test the disaster recovery plan regularly, and document the reviews and tests conducted.

43. The UNFPA disaster recovery site was moved to Copenhagen in 2015. The Management Information Services Branch will develop a new IT disaster recovery plan, taking into consideration new opportunities in cloud hosting, and will test such method for validity.

Segregation of duties in the global programming system

44. The Board of Auditors recommended that UNFPA (a) strengthen the GPS access roles by establishing and implementing GPS roles in Atlas which grant access to users based on their functions and duties; and (b) review list of users with GPS access rights and modify the GPS application to accommodate segregation of duties, especially on workplan creation and sending budget to commitment control for them to be performed by different persons.

45. In response to this recommendation, UNFPA is revising and strengthening all GPS roles to implement those changes in Atlas further.

Change management process

46. The Board of Auditors recommended that UNFPA (a) establish the change/emergency advisory board, with clear responsibilities and composition of members from both technical and business perspective; and (b) develop and implement a change management guideline, which defines the basis for adoption of relevant change management processes in information technology environment.

47. In response to this recommendation, UNFPA is strengthening the change management process for the non-enterprise resource planning applications. In this regard, the Management Information Services Branch has revised the terms of reference of the change advisory board and has also developed and implemented the change management guidelines.

Software acquisition, development, and maintenance

48. The Board of Auditors recommended that UNFPA establish and implement a software development life cycle guideline, and include all necessary controls at each stage of the process, to ensure applications are developed in accordance with design specifications, development and documentation standards, quality assurance requirements and approval standard.

49. The Management Information Services Branch has developed the software development lifecycle guideline, which is now implemented as the standard in UNFPA.

Management information system strategic planning risk assessment at the unit level

50. The Board of Auditors recommended that UNFPA (a) align identified risks with their respective ICT strategic objectives to provide assurance that risks for all objectives have been well assessed; (b) establish a mechanism to track and report on the implementation of mitigating controls for IT-related risks; (c) conduct ICT-specific risk assessment and document in the risk assessment module as additional risks; and (d) describe methodologies used by Management Information Services Branch to identify, analyse and assess ICT risks documented in the ICT strategic plan risk assessment 2014-2017.

51. The risks defined in the ICT strategy 2014-2017 were aligned with the ICT strategic objectives using an interim risk tool. Relevant information for each risk was identified in the risk tool, including the ability to track and report on the implementation of the mitigating controls. The tasks of identifying, tracking and reporting of additional risks (including assessment and implementation of mitigating controls) will be done using the corporate risk framework.

Assurance on controls at a service organization

52. The Board of Auditors recommended that UNFPA include in all its contractual arrangements the need and frequency of International Standard on Assurance Engagements (ISAE) reviews, which will give reasonable assurance to UNFPA on the controls and operating effectiveness of the outsourced service organizations

53. The requirement for suppliers to provide annual internal control attestation reports, prepared by independent auditors based on recognized standards, to give UNFPA reasonable assurance on the adequacy of the design and operating effectiveness of the controls in place over the outsourced services provided, has now been incorporated in the ICT outsourcing management policy and in the UNFPA special conditions of contract, and is in effect for new contracts and extentions of existing contracts starting October 2016.

Control over access to the strategic information system

54. The Board recommended that UNFPA clearly define the role matrix and ensure that segregation of duties is adhered to in granting access to the application.

55. The role matrix will be revised to ensure the principle of segregation of duties is observed. The related guidelines will also be revised to ensure that segregated roles are enforced.

ICT Review and resulting ICT Transformation Project

56. UNFPA conducted an ICT Review, in the form of an independent assessment, over the period May-September 2016 to examine the state of ICT at UNFPA including the management and structure used to deliver the services. The recommendations from the review were presented to the UNFPA Executive Committee and were endorsed in September

2016. As a result, an ICT Transformation Project was launched in November 2016. One of the deliverables of the ICT Transformation Project is the development and implementation of a set of tools and methodologies to enhance governance and management of ICT planning, costing, monitoring, project management and operations by the end of 2017. UNFPA management is convinced that this project will address the majority of ICT recommendations referenced in Section H (Information Technology) of this report.

I. Other recommendations from financial periods prior to 2015

Establishment of decentralized offices

57. The Board of Auditors recommended that UNFPA (a) update the guidelines for decentralized offices, to clearly define and outline the different arrangements for decentralized offices for establishing and managing operations; (b) continue to develop comprehensive business cases and seek retroactive approval for the remaining decentralized offices; and (c) incorporate the organization chart of decentralized offices and its reporting lines into the organization structure of country offices.

58. In response to this recommendation, UNFPA undertook a comprehensive review of its decentralized offices regarding the availability of business cases and approvals from regional offices, and secured retroactive approvals, where required. UNFPA is in the process of updating its guidelines for decentralized offices under the human resources alignment framework, to define and outline the different types of decentralized office arrangements, including their linkages with the country office organizational structure.

Performance assessment deficiencies

59. The Board further recommended that UNFPA (a) ensure that monitoring and assessment visits are undertaken for effective evaluation of the implementation of activities at decentralized offices; (b) define the role of the focal points for decentralized offices and provide clear guidance on what support and oversight the focal points should provide; and (c) establish performance targets and set systematic monitoring and assessment criteria for the focal points, to ensure that they deliver according to the UNFPA mandate.

60. UNFPA will further define the support and oversight role of the focal points for decentralized offices in the updated decentralized offices guidelines. The performance targets and the monitoring and assessment of individuals (including focal points) are managed through the performance appraisal and development application, and for UNFPA business units, through the corporate strategic information system.

Maintenance of the global database for consultants and service contracts

61. The Board of Auditors recommended that UNFPA continue to develop a global comprehensive database for maintaining, recording and periodically updating key information on consultants and service contracts to improve control, monitoring and reporting on special service agreements and service contracts at field offices.

62. In response to this recommendation, UNFPA already has a global database in place for service contracts, which is being updated on a regular basis. In addition, UNFPA has developed a database that will allow for the maintaining, recording and updating of individual consultant contracts, which has replaced the special services agreements and thereby enables global monitoring. This new tool is already being piloted regionally, in Latin American and the Caribbean, and will be rolled out globally after enhancing the functionality and user-friendliness of the tool, taking into account user feedback and suggestions.

Inadequate monitoring of the workplans of implementing partners

63. The Board of Auditors recommended that UNFPA (a) strengthen its monitoring procedures for implementing partners to ensure the adequate performance of programme

implementation activities, and (b) prepare monitoring plans that can be achieved within the time frame.

64. In response to this recommendation, the GPS phase II functionality, expected to be launched in the second quarter of 2017, will include workplan progress reporting by implementing partners. Payments to implementing partners will be subject to adequate and timely reporting on implementation progress and results. GPS phase II functionality will also require timely submission of the funding authorization and certificate of expenditure forms, which is a prerequisite for making any payments to implementing partners. To address the second element of this recommendation, UNFPA has initiated a review of good practices generated by country offices on working with implementing partners. The collected practices, expected to be completed in 2016, will inform development of a relevant guidance for strengthening implementing partners monitoring for better results reporting. The interim guidance note on remote monitoring has been drafted; its finalization is expected in December 2016. The ongoing revision of the policy for programme and financial monitoring and reporting will reinforce mandatory actions to be undertaken to follow up on field visit recommendations/observation and developing proper documentation on their progress/closure. To support this, a template for action plans for the follow-up on recommendations/observations will provided in the policy.

65. The Board of Auditors recommended that UNFPA (a) establish a robust supply chain mechanism to ensure that there is effective delivery and distribution of procured inventories to the intended beneficiaries by field offices; and (b) develop tools that will enable country offices to monitor the timeliness and effectiveness of inventory distribution, including regular tracking of key metrics, such as percentage of execution of distribution plans and inventory levels held at service delivery points.

66. UNFPA, in its effort to continously improve its systems to facilitate efficient inventory management, has launched a new inventory tracking system, called 'Shipment Tracker', which replaced the discontinued 'Channel System', effective July 2015. This system enables tracking of commodities throughout the full procure-to-pay cycle, starting from requisition and ending with distribution to UNFPA implementing partners, all within a single enterprise resource planning system. This system provides users and management with live information on the status of commodities at any point in time, up until their distribution to implementing partners. It also enables development of analytical and diagnostic tools, supplying management with such key metrics as the volume of goods available for distribution, aged inventory balances, among others. This data allows management to not only identify weaknesses, such as long delivery times or bottlenecks within the in-country logistic chain, but also to take actions on the identified weaknesses. In 2016, UNFPA introduced additional new features to the Shipment Tracker system, which will strenghen the organization's ability to monitor expiring goods, produce accurate donor reports and facilitate tracking of undistibuted goods in UNFPA warehouses. The UNFPA interdivisional working group on inventory management is working on the feasibility of monitoring inventories down to the service delivery points.

67. UNFPA agreed with the recommendation of the Board that it (a) speed up the investigation of unusual credit balances in the individual salary advance accounts; and (b) consider instituting an automated system to control staff advances at field and head offices.

68. In response to the above recommendation, UNFPA has prepared a detailed action plan, with a targeted completion date of December 2017, and has already made good progress. The amount of credit balances under 'salary advance' accounts has already seen an 81 per cent reduction, down from $333,000 in 2014 to $63,000, as of October 2016. The overall review and clearance are moving ahead of the action plan. Also, UNFPA has implemented part (b) of the recommendation by developing and launching an e-service salary advances application, which strengthens advance authorization workflow and timely recovery.

69. The Board of Auditors noted an improvement in the implementation of recommendations that were pending during the biennium that ended on 31 December 2014. Annex 1 of the Board of Auditors report for the financial period that ended on 31 December 2015 provided a summary of the status of implementation of recommendations for previous financial periods. The Board of Auditors noted that 14 of the 20 recommendations made during the previous financial periods were fully implemented (70 per cent) and 6 (30 per cent) were under implementation. The six outstanding recommendations are pending approval of certain policies and the implementation of new policies, structure and tools in field offices.

70. Table 3 below summarizes the status of implementation of the six recommendations that were 'in progress', as of October 2016.

Table 3
Status of implementation of recommendations from previous periods considered not fully implemented in annex 1 to the report of the Board of Auditors for the financial period that ended on 31 December 2015

Department responsible	Number of recommendations	Not accepted	Closure requested	In progress	Target date set
Division for Management Services	1	–	–	1	1
Division for Human Resources	2	–	–	2	2
Programme Division	1	–	–	1	1
Division for Human Resources and Programme Division	1	–	–	1	1
Technical Division	1	–	–	1	1
Total	**6**	**–**	**–**	**6**	**6**

III. Conclusion

71. UNFPA welcomes the unqualified audit opinion contained in the report of the Board of Auditors for the UNFPA financial statements for the year that ended on 31 December 2015. The organization continues to accord the highest priority to achieving a record of unqualified audit opinions and to resolving the concerns of the Board of Auditors. As noted by the Board of Auditors, there is scope for improvement in some areas, such as the implementation of enterprise risk management, programme management, in particular the newly introduced global programming system for workplans and budget management, the quality assurance process for the progress reports of implementing partners and information and communications technology.